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Land-locked and Transit Developing
Countries and Representatives of
Donor Countries and Financial and
Development Institutions
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REVIEW OF THE PROGRESS IN THE DEVELOPMENT OF TRANSIT SYSTEMS AND PROPOSALS FOR FUTURE ACTION

Report by the UNCTAD secretariat

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INTRODUCTION

1. In paragraph 11 of General Assembly resolution 50/97, the Secretary-General is requested to convene another meeting of governmental experts from land-locked and transit developing countries and representatives of donor countries and financial and development institutions, including relevant regional and subregional economic organizations and commissions, to review progress in the development of transit systems in the land-locked and transit developing countries with a view to exploring the possibility of formulating specific action-oriented measures[1]. The Meeting is also called upon to take into account the results of consultative group meetings between land-locked and transit developing countries regarding the priority areas for action at the national and subregional level and the action programmes agreed upon[2]. Issues for the review to be conducted by the Meeting are contained in the Global Framework for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community, which was recommended by the Second Meeting and endorsed by the General Assembly in December 1995.

2. This Global Framework for Transit Transport Cooperation, which set in place a range of concrete actions, has paved the way for the establishment of efficient transit transport systems. As underscored in the Global Framework, transit transport systems, which have been the subject of discussions in several fora, particularly the General Assembly and UNCTAD, for several years, have three main aspects. Firstly, there is the issue of establishing an institutional, legal and policy framework that provides an environment for promoting cost-effective transit operations and services. Secondly, there is the task of developing an efficient and coordinated transit transport infrastructure, and thirdly there is the issue of managing the transit operations, including all the facilitation measures that are aimed at ensuring the safe, speedy and cost-effective movement of transit cargo. The way in which these three mutually supportive aspects have been addressed within the framework of triangular cooperation will be the subject of the Meeting's review, which this report is designed to assist.

3. The report contains three sections. In setting the scene for the discussions, the first section provides an overall perspective of how transit transport constraints have affected the economic environment in the land-locked developing countries, particularly with regard to trade patterns. The second section then reviews recent actions at the national, subregional and international levels to improve transit systems in the different key areas,

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[1] For the outcome of the two previous meetings see: "Report of the Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions", TD/B/40(1)/2-TD/B/LDC/AC.1/4, 1993; "Report of the Second Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions", TD/B/42(1)/11-TD/B/LDC/AC.1/7,1995.

[2] Arrangements are being made to hold consultations prior to the Meeting, and their results will be made available to the Meeting.

including the specific problems that have been encountered. The third section elaborates the proposed main elements of a future priority programme of action.

I. TRANSIT TRANSPORT CONSTRAINTS AND THEIR IMPACT ON TRADE PATTERNS: SOME RECENT TRENDS

4. The international trade of land-locked developing countries is adversely affected by their geographical situation in various ways. Their lack of territorial access to the sea, aggravated by the great distances to seaports[3] and their location at the margins of the world's trading system, results in significant additional external transportation costs. There are, of course, other factors related to additional transport risks caused by the lack of proprietary sovereign access to the ocean which also tend to increase the magnitude of transportation costs and limit the international trading opportunities of the countries concerned. The additional costs relate, among other things to special security and customs arrangements for transit cargo, maintenance of higher levels of inventories and greater contingent storage facilities because of the unpredictability of transport services, and maintenance of alternative "insurance routes".

5. The magnitude of the burden of transportation costs varies depending on how successful countries have been in their efforts to improve transit transport efficiency. It can, however, be generally stated that most land-locked countries currently still incur significantly higher transport costs than their coastal neighbours, and this has tended to increase their import costs and reduce their export earnings[4]. Furthermore, the balance of payments of land-locked countries is also adversely affected by the excessive share of foreign exchange earnings absorbed by transportation payments to

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[3] Taking into account the shortest distance from the country's capital or other main city to the nearest seaport, the Central Asian Republics face the greatest distances, and Kazakstan the longest of all (3,750 km). Afghanistan, Mongolia, Chad, Niger, Zambia and Zimbabwe have distances of 2,000 km or more. Only Armenia, Bolivia and Swaziland have distances of 300 km or less. Other routes in use by land-locked countries are much longer, ranging up to 10,000 km for some Central Asian Countries using the Trans-Siberian rail road to access Vladivostok; routes from eastern Bolivia to Atlantic ports exceed 2,000 km.

[4] It is estimated that in 1994 in eight African land-locked countries the ratio of freight and insurance costs to the value of imports was over 20 per cent and for four of them it was over 30 per cent, which is seven times the overall ratio for developed countries. Comparisons with their coastal countries clearly show that freight and insurance costs in these countries in are in most cases significantly lower. Exports per capita also continues to be much lower for land-locked countries than for all developing countries, and exports continue to account a comparatively small proportion of GDP. For most of the land-locked countries, exports per capita in 1994 were less than half of the average for non-oil-producing developing countries, which was US$ 260. In the same year exports were less than 20 per cent of GDP, as compared to 24 per cent for all developing countries.

foreign carriers for transport services[5]. A recent World Bank study on external barriers and marginalization of sub-Saharan Africa has confirmed that such payments absorbed 15 per cent of Africa's export earnings in 1990. As the ratios for land-locked developing countries show, the drain on foreign exchange earnings for these countries is significantly higher, and this has placed these countries in a very weak competitive position[6].

II. RECENT DEVELOPMENTS IN KEY AREAS OF TRANSIT TRANSPORT SYSTEMS

6. Land-locked and transit developing countries have in recent years recorded some progress in addressing the transit problem, and there is also increased political commitment in this regard. The support of the international community has played an important role in this effort. Recent achievements and constraints in key areas of transit systems are briefly reviewed below.

A. Transit transport policy reforms

7. The Governments of most land-locked and transit developing countries have long regarded the transport sector as their exclusive domain, and private-sector involvement was discouraged. Governments freely intervened in policy-setting and planning for transport operations and set the norms and objectives for the development of the sector, giving little attention to the commercial viability of state-run transport entities. However, the situation has been changing rapidly in recent years. Progress towards market-oriented reforms and the involvement of the private sector is having a positive impact on the development and modernization of the transit transport sector. Trade in transit services is steadily being liberalized in many land-locked and transit developing countries, and competition between the suppliers of such services is being encouraged.

8. The competition between different modes of transport and routes is not only working in favour of users in the land-locked countries but also encourages transit countries to adopt a more commercial and aggressive attitude in terms of making their transit facilities attractive to the business community. Although this process is in its infancy, the state monopoly that prevailed in the provision of transit services is being successfully challenged, and this has the added advantage that the attitude of donors to providing support has undergone positive change.

9. Another policy initiative relates to the encouragement of regional trade in an effort to reduce the heavy dependency on overseas markets. By 1995 only three out of a sample of 18 land-locked developing countries were

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[5] In 1994, these payments exceeded 10 per cent of the value of exports of goods and services for 13 of the countries concerned and in nine countries they exceeded 25 per cent. The average for all developing countries was some 5 per cent.

[6] See Amjadi, U. Reineke and A. Yeats, "Did external barriers cause the marginalization of sub-Saharan Africa in World Trade?", Policy Research Working Paper, Nr. 15086, World Bank, 1996.

purchasing less than 25 per cent of their imports from neighbouring developing countries. This trend in the direction of trade of land-locked developing countries suggests in principle that these countries are attempting to achieve savings in transport costs. In many cases, however, such savings may not be realized because regional suppliers may try to exploit their locational advantage and inflate import prices to a level which may be equivalent to the extra costs entailed in obtaining imports from overseas markets. The sector-specific measures that have been undertaken in various areas will be further elaborated in the discussion below.

B. Sectoral developments

(a) Rail transit traffic

10. Rail transport, once a dominant mode of transport along the transit corridors in several subregions, namely the Southern, Eastern and West/Central African subregions, has in recent years increasingly come under pressure from road transport largely because of the inefficiency of the railway systems. This inefficiency is the result of a combination of factors, including inadequate rolling stock and equipment, the ageing of the rolling stock, which has led to frequent breakdowns and delays in freight movement, the poor condition of the rail tracks, and inefficient management practices. In Southern Africa, rail operations have in addition been adversely affected by the insecurity in the subregion. The rail services connecting Bolivia and the Chilean ports are also still facing similar technical and operational problems, but rail is still the main transit mode because of the poor road conditions. The transshipment from road to rail and vice versa which is inevitable along several transit corridors also continues to contribute to the slow rail traffic movement.

11. Although the above problems are still acute in several countries, attempts have been made in recent years to address them. With the policy reforms referred to above, the protection of railways practised by some Governments particularly in West/Central, Eastern and Southern Africa, is giving way to increased competition with road haulage. Furthermore, in these African subregions, as well as in Latin America and India, railway operations are being reoriented towards commercialization, and more aggressive marketing strategies are being adopted. Railway management is being given greater operational autonomy, and some railway operations are being subcontracted to private-sector operators. Other specific measures to improve railway operational efficiency are also under way in different regions. In South Africa, measures have included the development of a through-invoicing system for railway traffic and the introduction of a Regional Rolling Stock Information System (RSIS). With regard to the latter, it is important to note that UNCTAD is collaborating with Southern African States in this area by installing the Advance Cargo Information System (ACIS) in two Southern African Development Community (SADC) countries, namely the United Republic of Tanzania and Zambia, with a specific focus on railway rolling stock and cargo tracking (RailTracker). The aim is to ensure that eventually all rolling stock and, cargo of SADC railways will be tracked by either the Southern African Railways Systems (called SPRINT) or UNCTAD's RailTracker, thereby

enabling customers to trace the whereabouts of their goods throughout the entire SADC subregion.

12. ACIS railtracker has been installed in other countries, namely Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Mali and Senegal. The system was also installed in Kenya, Uganda, the United Republic of Tanzania and Zambia in 1995 as part of the Common Market for Eastern and Southern Africa (COMESA) project. In the case of the three East African networks, ACIS has made a significant contribution to subregional integration, as the railways have extended their monitoring and the access to their systems beyond their borders through computerised interconnection of the three railways. The installation of PortTracker was also completed in 1995 in the Ports of Tema (Ghana) and Mombasa (Kenya). In both ports, all vessel traffic is now being monitored by ACIS, and this provides valuable help for maritime operations.

13. Furthermore, agreements have been reached in virtually all regions to further harmonize customs procedures and documentation. Problems of implementation, however, still need to be addressed. The rail consignment note designed to replace most of the traditional customs documents in Southern and East Africa, for example, is still not in use. On the other hand, more progress has been made with regard to subregional inter-railway agreements in such cases as wagon-sharing, standardization of railway equipment, maintenance of wagons and management information sharing. This is particularly true in East and Southern Africa and Latin America.

(b) Road transit traffic

14. In the various regions, particularly Africa and Asia, considerable efforts have been made in recent years to develop and rehabilitate the road infrastructure, largely with the support of the donor community. Road development projects have been given special attention within the framework of donor-supported programmes that are being implemented under the United Nations transport and communications schemes in Asia and Africa. Although the road transit corridor network can be as regarded satisfactory, the physical condition of this network has deteriorated sharply during the last five years because of poor maintenance, which has led to serious damage to the roads.

15. In East and Southern Africa, this problem is currently being addressed aggressively. A road maintenance levy has been established, and axle-load limits monitored at a number of weighbridges are beginning to help control overloading. In other regions, axle-load regulations are also in place but the general problem remains the lack of systematic enforcement. Further measures to facilitate road transit traffic that have recently been undertaken in the various regions include agreements on streamlined customs documentation and procedures and harmonization of transit charges. With regard to the former, there are still serious problems of implementation, and cumbersome cross-border procedures continue to lead to significant delays.

16. In the West African subregion, loopholes in transit procedures have often led to illegal diversion of transit goods within the transit countries and thus to substantial losses of revenue through evasion of customs duties.

This has necessitated the introduction of an escort system for vehicles which, however, has operational complications that also lead to serious delays in the movement of transit cargo. In varying degrees, however, all regions have made efforts to improve the efficiency of road transit traffic by reaching agreement on harmonized highway legislation, improved safety standards and establishment of third-party motor insurance systems, harmonizing border working hours and simplifying immigration formalities at borders.

17. On the institutional and policy front, liberalization policies have given the road transit transport sector a big boost in all subregions. Former government-owned trucking companies like KENATICO in Kenya, TRANSOCEAN in Uganda and OTREMBO in Burundi have been dissolved, giving greater operational scope to private operators. The success of these operators will, of course, depend on their managerial qualities and financial standing. This trend is going to be strengthened by the declining protection given to the railways. On the other hand, serious problems in building up a viable road haulage industry are already being faced by Botswana, Lesotho, Swaziland and Bhutan.

18. The drive towards greater participation of the private sector in the road transport sector has picked up irreversible momentum, but in some regions the scope of this new orientation is still the subject of controversy, which must be overcome. This is the case in particular in West Africa, where the policy of allocating cargo between national truckers of land-locked countries and coastal countries on a 2/3 - 1/3 basis is still in force. This arrangement, which is designed to promote the road haulage industry in the land-locked countries, is currently being challenged on the grounds that letting market forces determine the distribution of freight between shippers and freight forwarders would benefit the growth of the economy throughout the subregion in the long run.

(c) Inland waterways

19. Inland waterways continue to offer transit facilities as part of the transit corridor chain for several land-locked countries namely Bolivia, Burundi, the Central African Republic, the Lao People's Democratic Republic, Malawi, Mali, Niger, Paraguay and Uganda. Although the cost of river/lake operations is generally significantly lower than other transit modes, poor infrastructure is still a major constraint, particularly in terms of limited vessel capacity, poor navigational and telecommunication facilities and inadequate cargo-handling equipment. Inter-country cooperative arrangements for joint operations also still lack the required legal framework in many cases, with the exception of Paraguay, where effective legal instruments to govern river navigation are in place. The physical facilities in Paraguay have also been significantly improved, and this has made the river transit corridor the second most important route after road transport. The lake link between Uganda and the rail head in Kenya along the transit corridor to Mombasa has also recently been rehabilitated, and an UNCTAD/UNDP transit transport project for the subregion provided technical assistance in the elaboration of a subregional inland waterway agreement, whose adoption is, however, still pending. A particularly noteworthy development relates to the

lake/road link between Malawi and the port of Dar-es-Salaam. This corridor served Malawi as a lifeline when the civil strife in Mozambique led to the closure of its traditional routes to the ports of Mozambique.

(d) Ports

20. In general, infrastructure in the main ports serving land-locked countries is satisfactory, although certain ports need to invest in infrastructure to be able to handle larger vessels. Considerable investments have been made to rehabilitate cargo-handling equipment. As part of the overall liberalization policy, some ports have taken steps to improve the quality of their management through performance contracts with government, maintenance contracts for equipment, management contracts or leasing of terminals to private operators, and provision of greater operational autonomy to management. This is a recent trend, particularly in Mombasa and some of the Southern African ports. In many transit ports, however, cargo-handling performance remains poor because of lack of information on ship and cargo arrival, documentation delays, frequent security checks, poor coordination with Customs, inland transport operators, forwarding and clearing agents, insurance companies and security personnel, and poor employee accountability and motivation.

21. Storage facilities in many ports serving land-locked countries have developed well, and in many cases they are managed by companies from the land-locked countries themselves. This is the case in the port of Calcutta and in most ports in West, East and Southern African and Latin America. Whereas in East and Southern Africa, as well as in Latin America, storage facilities have largely been handed over to private operators, in West Africa facilities are still operated by government agencies (entrepôts). It is, however, now being asked whether it would not be in the interest of shippers to privatize these state agencies.

22. Another important development with regard to ports relates to the establishment in the land-locked countries of dry ports, where all customs clearance formalities are done and which significantly expedite the movement of transit cargo to inland destinations. This development has led to a substantial reduction of transit times and cost savings. Dry ports are now operational in several land-locked countries in Southern Africa and Latin America. The dry ports in Kenya near the Ugandan border have also greatly facilitated the movement of Ugandan and Rwandan transit cargo.

(e) Air freight

23. The use of air freight as an alternative to surface transit still continues to be largely restricted to the importation of high-value manufactures and the export of perishables that are in demand in overseas markets, such as flowers, fruits, vegetables, meat, and high-value goods. Most land-locked countries have well developed airport infrastructure facilities, but the freight collection and distribution systems, as well as the storage facilities, are in many cases still very inadequate. This has often led to significant cargo losses and damage. Recently, however, significant progress has been made in the area of subregional air transport

pooling arrangements. In Southern and Eastern Africa, a number of joint ventures involving several countries have now taken off. South Africa, Uganda and the United Republic of Tanzania now have a fully operational joint airline which is also involved in freight operations. The three East African countries (Kenya, Uganda and the United Republic of Tanzania) are in the process of reviving the East African Airways joint venture. With the pending membership of Rwanda in the East African cooperation scheme, it is likely that Rwanda will join this particular venture too. Several national airlines in the region have also recently made other bilateral contractual arrangements, for example in respect of joint aircraft maintenance and cargo-space sharing, which are facilitating airfreight operations.

C. Legal frameworks for subregional and international transit

24. The progress that land-locked and transit countries have made in establishing subregional regulatory frameworks to supplement bilateral agreements governing various transit arrangements is quite encouraging. In Southern Africa, recent developments have included the renegotiation of the PTA Treaty into a Common Market for Eastern and Southern Africa (COMESA), which was signed in 1994. In 1996, the Protocol on Transport and Meteorology was signed by Governments. These new legal entities, together with SADC, which covers only the Southern African States, have binding commitments to, inter alia, strengthen and improve transit transport systems. As mentioned earlier, implementation has been slow in some areas, but institutionally the future of these schemes looks promising. With regard to road transport, the BLS countries (Botswana, Lesotho and Swaziland) and South Africa are a party to a Memorandum of Understanding (MOU) allowing the BLS countries to handle a greater share of road transit cargo. Implementation has, however, been sluggish because of the limited road transport capacity of these countries, though in any event it would appear that, with the commercialization of the entire industry which is now in process, this regulatory arrangement may soon be obsolete.

25. In East Africa, the Northern Corridor Transit Agreement (NCTA)[7] continues to be an important vehicle for promoting various cooperative transit transport arrangements referred to above. The weaknesses encountered in implementing and enforcing the various provisions of the Agreement have largely been the result of the civil strife in Rwanda and Burundi, which has complicated the monitoring process. The recently signed East African Cooperation Treaty[8] has acted as a strongly reinforcing legal instrument to further consolidate these arrangements. The Belbase Agreement governing transit operations between Burundi, Rwanda, Zaire and the Tanzanian port of Dar-es-Salaam, which are handled by a private company (Agence Maritime International-AMI), has recently been the subject of bilateral negotiations. Plans are under way to replace AMI with a coordinating body comprising

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[7] The Agreement, whose signatories are Burundi, Kenya, Rwanda, Uganda and Zaire, was renewed in October 1996 for another 10 years.

[8] The Treaty members are Kenya, Uganda and the United Republic of Tanzania.

government and private institutions dealing with transit traffic policies and operations along the lines of the NCTA.

26. In West Africa, the Economic Community of West African States (ECOWAS)[9], the Central African Customs and Economic Union (UDEAC)[10] and the Ministerial Conference of West and Central African States on Maritime Transport (MINCONMAR)[11] provide particularly important subregional legal frameworks to promote transit efficiency in the subregion. These are supplemented by more specific conventions like the convention regulating inter-State road transportation (TRI), the convention relating to inter-State road transit of goods (TRIE), the international convention to facilitate the crossing of frontiers for goods by rail (TIF) and TIPAC (Transit inter-Etats des pays de l'Afrique Centrale), which is a customs arrangement to facilitate inter-State transit traffic. As discussed earlier, there have been a number of achievements in various areas of transit, and these agreements and conventions have been largely instrumental in this progress. There are, however, still some fundamental constraints which must continue to be addressed. The full implementation of decisions adopted by ECOWAS and UDEAC bodies, for example, is left to individual States, which have tended to be inward-looking in their orientation, and thus inter-country issues like transit cooperative arrangements are accorded lower priority.

27. In Latin America, there are also effective regional integration schemes, like the Latin American Integration Association (ALADI)[12], and Southern Cone Common Market (MERCOSUR)[13] and the Rio del Plata Basin Treaty[14], which have comprehensive provisions to develop and regulate inter-country transport operations, including transit, from which Bolivia and Paraguay will benefit. The other more specific transit institution is the Autonomous Customs Warehouse Administration (AADAA), which is soon going to be replaced by the Administration of Bolivian Port Services (ASP-B). The objective of this institution, which will work closely with Chambers of Commerce and Industry, is operationally to oversee and manage transit operations in

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[9] ECOWAS members are: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Nigeria, Senegal, Sierra Leone and Togo.

[10] UDEAC members are Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon.

[11] MINCONMAR members are Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Nigeria, Senegal, Sierra Leone, Togo and Zaire.

[12] The members are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.

[13] The members are Argentina, Brazil, Paraguay and Uruguay.

[14] The members are Argentina, Bolivia, Brazil, Paraguay and Uruguay.

collaboration with the private sector, which has now taken over all customs warehouses. The recent large-scale privatization and commercialization of the many transit operations in Latin America has contributed tremendously to the effective implementation of the provisions in the regional schemes related to transit. Another contributing factor is that the bilateral transit agreements in the region, particularly the Bolivia-Chile agreement, are more action-oriented than many of the agreements and conventions in the African region.

28. In Asia, the Economic Cooperation Organization (ECO)[15] addresses inter-country transport issues, but transit arrangements are more specifically elaborated in bilateral transit agreements. In Central Asia, however, the land-locked republics have recently taken a vigorous initiative to move towards establishing a subregional legal framework. The purpose is to establish a basis for their efforts to diversify their transit routes and lessen their dependency on the traditional routes through the Russian Federation as they seek to promote their external trade with overseas markets. The transit transport framework agreement is to be negotiated with the transit countries, namely the Islamic Republic of Iran, Turkey, Afghanistan, Georgia, Azerbaijan, China, the Russian Federation, Pakistan and Armenia. Preliminary joint consultations in Ankara (Turkey) and Issyk-Yul (Kyrgyzstan) have already been held under the auspices of an UNCTAD/UNDP umbrella project, and work is currently under way to prepare the draft agreement which will be considered at a meeting scheduled for May 1997. The results will then be presented to a Ministerial Meeting at the end of 1997 for adoption. Such an agreement will reinforce efforts to promote cooperative arrangements in the subregion and help to integrate the economies of the Central Asian countries more firmly into the global trading system.

29. In summary, there has been commendable progress during recent years with regard to the political commitment of both land-locked and transit countries to enhance the regulatory framework for cooperative transit arrangements at the subregional level. In many cases, however, the implementation of these agreements is still unsatisfactory. This is largely due to the weak institutional mechanisms for monitoring and enforcing their implementation. It is hoped, however, that the emerging privatization and commercialization of transit operations will be a strong incentive to achieve more progress in this regard, because the cost-consciousness of all the actors involved is likely to be enhanced.

30. With regard to international transit legal instruments, the land-locked and transit countries continue to show little enthusiasm for

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[15] The members are Afghanistan, Azerbaijan, Islamic Republic of Iran, Kazakstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan.

adhering to international transit and transport conventions[16]. This is very disconcerting, as many of them constitute important legal instruments which would be extremely beneficial to these countries not only in strengthening their own bilateral and subregional transit arrangements but also in serving as useful legal reference points for resolving inter-country conflicts of interest in transit matters. Recent consultations with some countries have revealed that the benefits of these conventions are still not quite apparent and that the relevant international agencies have not done enough to remove doubts by effectively promoting them. Clearly this problem needs to be revisited and addressed.

D. The role of external assistance

31. As stated earlier, the donor community has during recent years played an important role in supporting the development of transit transport systems in the various regions and subregions. The bulk of the assistance has been focused on the development of transit infrastructure. In Southern Africa, significant funding has been provided for the rehabilitation and extension of the road network along the main road transit corridors as part of the special support to rehabilitate the physical infrastructure devastated as a result of the years of political instability in the subregion. Similar efforts have also been made in other subregions of sub-Saharan Africa. More recently, however, greater attention is being given to road maintenance. Railways have also received special support to purchase equipment and rolling stock and to maintain the rail tracks. The expansion of physical facilities in the main ports has also been heavily supported. The Southern and Eastern African subregions have benefited significantly from these assistance programmes. Several donors have been providing technical assistance covering most land-locked and transit countries in order to improve the quality of transit transport operations.

32. Although many multilateral and bilateral donors have been involved in these assistance programmes, some more recent interventions merit special mention. The recent initiatives by the World Bank have included assistance to enhance port performance in Mombasa and improve management practices in support of the institutional reforms under way. In the UDEAC countries, there is also a major World Bank project in progress to help strengthen and reform regional integration arrangements, including transit regimes. In Southern Africa, USAID, Canada and Nordic donor countries are spearheading technical assistance programmes to help utilize the newly rehabilitated infrastructure more efficiently. This is being done largely through the

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[16] The most important of the international conventions related to transit traffic operations are: the Convention on Transit Trade of Land-locked States, New York (1965), popularly referred to as the "New York Transit Convention"; Article V of the GATT Agreement; the United Nations Convention on the Law of the Sea; the TIR Convention (1975); the Kyoto Convention; the International Convention on the Harmonization of Frontier Controls of Goods (1982); the Customs Convention on Containers (1972); the International Convention concerning the Carriage of Goods by Rail (1961); and the Convention on the Contract for the International Carriage of Goods by Road (1956).

technical unit of the Southern African Transport and Communications Commission (SATCC). The World Bank is also currently supporting a major multimodal transport project in Nepal which is going to significantly contribute to improving the links with the Indian transport system. The European Bank for Reconstruction and Development and the World Bank are also heavily involved in the development of links in the Central Asian republics. The solidarity between the donor community and the land-locked and transit countries is clearly being enhanced, and the transit transport policy and institutional reforms under way in these countries are going to further boost this momentum.

33. With regard to UNCTAD's work, a recent important activity relates to the support given to the newly independent Central Asian republics, also with UNDP funding. As mentioned earlier, this action is designed to assist the land-locked countries of Central Asia to establish a subregional transit agreement as a basis for promoting the use of other alternative routes to overseas markets.

34. There are several UNCTAD technical assistance activities from which a number of land-locked and transit developing countries continue to benefit in that they have a direct bearing on their transit needs. Particular attention should be given to ASYCUDA, which is a computerized customs management system covering most foreign trade procedures. The system handles manifests and customs declarations, accounting procedures and transit procedures. It generates detailed information about foreign trade transactions which can be used for economic analysis and planning and takes into account all international codes and standards relevant to Customs processing. Reference was made earlier to ACIS, which provides new techniques to facilitate the flow of operational information along transit corridors.

III. PROPOSALS FOR FUTURE ACTION

35. The above discussion clearly reveals that there is a fundamental change under way in the orientation of both land-locked and transit countries, as well as in the donor community, in addressing the transit problem. There is a growing perception that interventionist policies have hindered progress in improving the efficiency of transit operations and the quality of services and contributed to the high cost of transportation. This perception is gathering considerable momentum, particularly in Latin America and East and Southern Africa. Furthermore, the political commitment to the promotion of cooperative arrangements between land-locked and transit countries is gradually filtering down to operational levels. This is partly a result of the enhanced confidence of transit transport managers following the newly introduced policies of commercialization of public-sector enterprises and the granting of greater autonomy to management. The donor community has sensed this evolution and is more willing to support transit transport programmes, which it feels are now more likely to lead to concrete positive results. The donors are also more confident in rendering this support because their constituencies can be given evidence to show that aid is being used effectively. The above discussion, however, also shows that, in spite of these positive developments in the transit transport environment, there are still major challenges to be faced in further improving transit

systems. These challenges will have to be met with a much greater sense of priorities and innovation, as reflected in the proposals briefly elaborated below.

A. Transit transport policy framework

36. The establishment of a commercially conducive transit policy environment remains at the centre of all efforts to further improve transit transport systems. Governments in land-locked and transit countries should reinforce the measures they have already taken to commercialize public sector enterprises dealing with transit transport matters. This involves inter alia giving management much more operational autonomy, introducing performance incentive schemes to boost enterprise profitability and encouraging arrangements that permit the contracting out of certain operational and management activities to private companies. This involvement of the private sector should be made flexibly open-ended by also providing scope for private-sector participation in transit policy decision-making. The move to fully privatize some key activities where private companies have greater leverage and experience and can provide better-quality services more cost-effectively should continue.

37. The other policy area of significant concern relates to the poor coordination of the activities of all the operators in the transit transport sector. If the transit-transport industry is going to be profit-driven and focused on minimizing transit costs, one imperative is to ensure that mechanisms are put in place to ensure that all activities by all actors in both land-locked countries and transit countries (policy-makers, customs authorities, transporters, security, port authorities, railway managers, clearing and freight forwarders, bankers and transit insurance companies) are well coordinated. These mechanisms should be at the policy, management and operational levels. Although the modalities for such mechanisms will vary depending on the particular circumstances in each region or subregion, the general pattern described below might be taken as a basis.

38. Land-locked countries and their transit neighbours might consider establishing subregional or bilateral coordination committees at a high level, with representatives from the private sector, to meet periodically in order to set out planning and policy guidelines and procedures. At the operational level, managers dealing with transit matters should also have regular consultations to review the day-to-day implementation process. A similar pattern of coordination might be established at the national level by each land-locked country and its transit neighbour. Arrangements should be made for consultations between operational executives and the users of transit facilities with a view to the expeditious solution of day-to-day problems. Such arrangements do exist in varying degrees in the different regions and subregions, but they are generally organized on an ad hoc basis to defuse conflicts in cases of crisis. They should be institutionalized to ensure sustainability of the coordination machinery.

B. Sectoral considerations

39. Rail traffic: The level of funding required to rehabilitate the rail network and to purchase additional rolling stock and equipment in the various regions and subregions has been impressive, but continued support in this area is important. The priority in the coming years should, however, be its support maintenance programmes. The other key area in improving railway performance is management. In many countries, the railway management, which was generally entangled in a bureaucratic culture, is being revolutionized. The current steps being taken to give greater autonomy to railway management should be stepped up. This will require a rigorous restructuring of current management systems. Other measures to be pursued more aggressively include gearing railways to commercial operations and having a regular review of operational parameters, organizational structures and the management of finance. Competition with other modes of transport and privatization of some railway services should also be encouraged.

40. Monitoring of the implementation of inter-railway bilateral and subregional agreements should be strengthened in such key areas as payment procedures for equipment hired and services provided in exchange, standardization of railway equipment, maintenance of wagons and arbitration procedures. Simplification and harmonization of documentation procedures in order to further facilitate cross-border railway operations is also an important area of concern. Training programmes at the national and subregional level, including inter-railway staff exchange programmes, should receive special attention. Other priority areas for action relate to developing further and implementing the Advance Cargo Information System, strengthening standardized inspection systems, developing inter-railway marketing arrangements, promoting adherence to international conventions related to rail, and putting in place institutional arrangements to monitor the safety and environmental implications of carriage by rail.

41. Road transit: The focus being placed on road maintenance should continue. The maintenance problem will, however, not be resolved unless users adhere to regulations related to axle-load limits. Governments should commit themselves to utilizing the resources in the road maintenance funds established from transit charges precisely for this purpose. Governments should also build up the capacity to enforce axle-load-limit regulations. Governments in land-locked and transit countries should also be committed to maintaining compatible road standards and vehicle specifications, as incompatibilities in this area have an equally adverse effect on road conditions.

42. Other areas that need to receive continued attention are the adoption of subregional instruments related to motor vehicle liability insurance, carriers' liability, international customs systems and common standards with regard to road safety, vehicle and driver testing, road permits and driver licensing.

43. The quota system for distributing transit cargo, which is still in practice in West/Central Africa, should be reviewed, as it has a restrictive impact on the free play of market forces in the road haulage industry. The

problem of building up road haulage capacity, which the quota system intended to resolve, should be addressed within the framework of donor assistance programmes or through private sector involvement, as was done successfully in Malawi and Uganda. The private sector should also be encouraged to complement donor support by getting more involved in building regional data bases on road transit in order to facilitate its management and operational planning. The trend towards liberalization of road transit services should be further supported by allowing road hauliers to compete freely with railways. Governments should also be further encouraged to adhere to international conventions related to road transport.

44. Port facilities and services: The maintenance of port facilities remains an important item in Governments' future action. With regard to operational and management aspects, there are also still a number of measures that need to be undertaken to improve port performance.

45. Governments should continue port institutional reforms to make ports more market-oriented through, for example, the granting of management contracts or terminal leases to mixed-economy companies operating according to commercial practices or to private companies. Within the port itself, Governments should promote and improve cooperation amongst port authorities, customs authorities, clearing and forwarding agents, terminal operators and inland transport operators through facilitation committees and other representational bodies in the port that promote efficient trade and transport services. Furthermore, Governments should promote the development of port community information networks and the use of electronic data interchange (EDI) for the exchange of information that will facilitate the movement and control of transit cargo.

46. The use of information technology should be increased, particularly for the exchange of information, which will enable port and transport operators to plan and allow the simplification and harmonization of procedures for releasing transit cargo, thus reducing delays and making better use of facilities. The use of maintenance contracts should be promoted, and customs and security procedures in ports should be coordinated to reduce delays. Furthermore, port security to fight cargo theft should be strengthened through improved control of access to terminal premises, including personnel access; fencing of the terminal; automatic monitoring systems; regular checks; and a severe system of sanctions to deter theft. Weigh bridges should also be installed in ports to verify container weights and to control axle loads in order to prevent damage to road surfaces.

47. Improvements should also be made to parking areas, communication facilities, accommodation and showers, and cafeterias for transport operators near the port area, and Governments should seriously consider allowing port authorities to retain some of their foreign exchange earnings to meet some of their regular equipment maintenance requirements.

48. Insurance institutions should seriously consider promoting warehouse-to-warehouse insurance arrangements in order to reduce the cost of insurance premiums. Dry ports in the land-locked countries should continue to be vigorously promoted in order to ensure speedy and cost-effective

movement of cargo. The purchase of too many makes of port equipment should also be avoided through better collaboration between management and donors in order to simplify maintenance and reduce the cost of spare parts.

49. Inland waterways: The improvement of the current poor lake/river infrastructure facilities should be accorded high priority, particularly in these cases where such transit corridors constitute a vital outlet. The much neglected subregional legal frameworks for lake/river transport operations should also receive priority attention.

50. Air freight: Although air freighting is still limited by the currently depressed demand for such services, some land-locked countries have a significant potential in this respect, particularly in the subregional context. The liberalization policies under way will further sharpen the competition in the industry. The ongoing efforts to bolster air freight pooling arrangements should therefore be further reinforced. This will greatly contribute to solving the problem of directional imbalance in freight flows and low levels of traffic and thus enhance countries' competitiveness. Improvement of physical ground facilities, particularly with regard to freight collection, storage and distribution systems, should also be stepped up. The private sector has an important role to play in this regard. Furthermore, the ongoing efforts to liberalize policies regarding the granting of traffic rights for freight on scheduled services should be continued.

51. Governments should facilitate the expansion of cargo charters, especially where the demand for freight capacity is infrequent and subject to sharp fluctuations and cannot be easily accommodated by scheduled services.

52. Furthermore, continuous efforts should be made by Governments to help identify and take advantage of opportunities for stimulating traffic development by the selective lowering of tariffs for particular commodities, sectors, directions, or periods of time. Such reductions may be aimed at developing new types of traffic and especially at correcting existing imbalances in flows.

53. Communications: The efforts of Governments to improve communications facilities have had an enormous positive impact on operational links between ports and importers and exporters in land-locked countries. This progress should, however, be reinforced by operating postal and telecommunications services on strictly commercial lines and by encouraging greater private-sector involvement, which is currently still limited.

54. Management and training: Diversified training programmes, including workshops, seminars, on-the-job training and longer courses for managers and middle- and lower-level operators in ports, on railways, in the road haulage industry, in air freighting and in clearing and freight forwarding, should be strongly supported. Governments should in this regard provide training facilities in existing institutions. The expanded private-sector involvement in all these areas should create a better environment to achieve greater efficiency of business operations.

C. Future orientation of international support measures

55. The support provided by the donor community during recent years has significantly helped to address acute transit transport constraints, particularly with regard to transit transport infrastructure. The limited capacity of the land-locked and transit countries to maintain these facilities calls for further donor assistance in this area that should include continued provision of transport equipment. There are, however, a range of policy and operational measures that also need the support of the donor community. In this regard, donors should consider extending their future assistance in the following areas:

- Promoting institutional and policy reforms that encourage market-oriented transit transport operations;
- Promoting commercialization and privatization programmes in the transit transport sector, including assistance in the identification of private-sector partnerships;
- Supporting schemes that enhance coordination of transit transport activities at the national and subregional level;
- Developing new subregional transport projects that help alleviate the physical bottlenecks in the current transit transport corridor systems;
- Supporting training programmes, particularly at the subregional level;
- Supporting other inter-country projects that enhance subregional trade;

D. Institutional follow-up mechanisms

56. In view of the important role which subregional organizations should play in the future in promoting the effective implementation of subregional transit transport cooperative arrangements, donors, including UNDP, should seriously consider supporting national efforts to establish technical units within these organizations to:

- Assist Governments in the formulation of subregional transit transport policies;
- Prepare technical studies to back up proposals for joint projects at the subregional level;
- Liaise with the private sector in order to identify priority areas for its involvement;
- Act as subregional counterparts of donor agencies in their commercialization and privatization support programmes;
- Act as subregional counterparts of donor agencies in implementing transit-transport-related subregional training programmes;
- Help arrange consultative meetings at the subregional level between land-locked and neighbouring transit countries designed to review the implementation of existing bilateral and subregional cooperative arrangements and adjust them to changing transit situations as appropriate;

. Assist governments in establishing coordination mechanisms at the subregional level to promote more effective collaboration between all actors in the transit transport sector.

57. The most urgent need for such technical units is in the African region, where institutional weaknesses are still very acute. Since the Southern African Transport and Communications Commission in SADC already has such a unit, which was established with donor support, it is suggested that, on a priority basis, donor assistance be provided to support the establishment of such units in the West/Central and East/Central African subregions through the two more relevant subregional institutions, namely the Permanent Secretariat of the Northern Corridor in Kenya and the Ministerial Conference of West and Central African States on Maritime Transport (MINCONMAR) in Côte d'Ivoire.

58. In order to provide a forum for a global review of progress in the development of transit transport systems, consideration should be given to convening another meeting of governmental experts from land-locked and transit developing countries and representatives of donor countries and financial and development institutions in 1999.